

Senate File 530 - Introduced

SENATE FILE 530
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1224)

A BILL FOR

1 An Act relating to financial institutions, including the
2 assets, liabilities, and merger of state banks and state
3 credit unions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 524.1303, subsection 1, Code 2021, is
2 amended to read as follows:

3 1. A state bank which has commenced business may propose to
4 voluntarily dissolve upon the affirmative vote of the holders
5 of at least a majority of the shares entitled to vote on the
6 voluntary dissolution, adopting a plan of dissolution involving
7 both a provision for acquisition of its assets and assumption
8 of its liabilities by another state bank, national bank, or
9 other financial institution insured by the federal deposit
10 insurance corporation and a provision for continuance of its
11 business if acquisition of its assets and assumption of its
12 liabilities is not effected, or any other plan of dissolution
13 providing for full payment of its liabilities. No such plan
14 shall provide for the acquisition of a state bank's assets or
15 the assumption of its liabilities by a credit union chartered
16 under state or federal law.

17 Sec. 2. Section 524.1309, Code 2021, is amended to read as
18 follows:

19 **524.1309 Becoming subject to chapter 489 or 490.**

20 In lieu of the dissolution procedure prescribed in sections
21 524.1303 through 524.1306, a state bank may cease to carry
22 on the business of banking and, after compliance with this
23 section, continue as a corporation subject to **chapter 490**, or
24 ~~if the state bank is organized as a limited liability company~~
25 ~~under **this chapter**, continue as a limited liability company~~
26 ~~subject to **chapter 489**.~~

27 1. A state bank that has commenced business may propose
28 to voluntarily cease to carry on the business of banking and
29 become a corporation subject to **chapter 490**, ~~or a limited~~
30 ~~liability company subject to **chapter 489**,~~ upon the affirmative
31 vote of the holders of at least a majority of the shares
32 entitled to vote on such proposal, adopting a plan involving
33 both a provision for acquisition of its assets and assumption
34 of its liabilities by another state bank, national bank, or
35 other financial institution insured by the federal deposit

1 insurance corporation, and a provision for continuance of
 2 its business if acquisition of its assets and assumption of
 3 its liabilities is not effected, or any other plan providing
 4 for the cessation of banking business and the payment of its
 5 liabilities. No such plan shall provide for the acquisition of
 6 a state bank's assets or the assumption of its liabilities by a
 7 credit union chartered under state or federal law.

8 2. The application to the superintendent for approval
 9 of a plan described in subsection 1 shall be treated by
 10 the superintendent in the same manner as an application for
 11 approval of a plan of dissolution under section 524.1303,
 12 subsection 2, and shall be subject to section 524.1303,
 13 subsection 3.

14 3. Immediately upon adoption and approval of a plan to
 15 voluntarily cease to carry on the business of banking and
 16 become a corporation subject to chapter 490, ~~or a limited~~
 17 ~~liability company subject to chapter 489~~, the state bank shall
 18 deliver to the superintendent a plan to cease the business of
 19 banking and become a corporation subject to chapter 490, ~~or a~~
 20 ~~limited liability company subject to chapter 489~~, which shall
 21 be signed by two of its duly authorized officers and shall
 22 contain the name of the state bank, the post office address of
 23 its principal place of business, the name and address of its
 24 officers and directors, the number of shares entitled to vote
 25 on the plan and the number of shares voted for or against the
 26 plan, respectively, the nature of the business to be conducted
 27 by the corporation under chapter 490, ~~or by the limited~~
 28 ~~liability company subject to chapter 489~~, and the general
 29 nature of the assets to be held by the corporation or company.

30 4. Upon approval of the plan by the superintendent, the
 31 state bank shall immediately surrender to the superintendent
 32 its authorization to do business as a bank and shall cease
 33 to accept deposits and carry on the banking business except
 34 insofar as may be necessary for it to complete the settlement
 35 of its affairs as a state bank in accordance with subsection 5.

1 5. The board of directors has full power to complete the
 2 settlement of the affairs of the state bank. Within thirty
 3 days after approval by the superintendent of the plan to cease
 4 the business of banking and become a corporation subject
 5 to [chapter 490](#), ~~or a limited liability company subject to~~
 6 ~~[chapter 489](#)~~, the state bank shall give notice of its intent
 7 to persons identified in [section 524.1305, subsection 3](#), in
 8 the manner provided for in that subsection. In completing
 9 the settlement of its affairs as a state bank, the state bank
 10 shall also follow the procedure prescribed in [section 524.1305](#),
 11 subsections 4, 5, and 6.

12 6. Upon completion of all the requirements of [this section](#),
 13 the state bank shall deliver to the superintendent articles of
 14 intent to be subject to [chapter 490](#) ~~or 489~~, together with the
 15 applicable filing and recording fees, which shall set forth
 16 that the state bank has complied with [this section](#), that it has
 17 ceased to carry on the business of banking, and the information
 18 required by [section 490.202](#) relative to the contents of
 19 articles of incorporation under [chapter 490](#), ~~or articles of~~
 20 ~~organization under [chapter 489](#)~~. If the superintendent finds
 21 that the state bank has complied with [this section](#) and that
 22 the articles of intent to be subject to [chapter 490](#) ~~or 489~~
 23 satisfy the requirements of [this section](#), the superintendent
 24 shall deliver them to the secretary of state for filing
 25 and recording in the secretary of state's office, and the
 26 superintendent shall file and record them in the office of the
 27 county recorder.

28 7. Upon the filing of the articles of intent to be subject
 29 to [chapter 490](#) ~~or 489~~, the state bank shall cease to be a state
 30 bank subject to [this chapter](#), and shall cease to have the
 31 powers of a state bank subject to [this chapter](#) and shall become
 32 a corporation subject to [chapter 490](#) ~~or a limited liability~~
 33 ~~company subject to [chapter 489](#)~~. The secretary of state
 34 shall issue a certificate as to the filing of the articles
 35 of intent to be subject to [chapter 490](#) ~~or 489~~ and send the

1 certificate to the corporation ~~or limited liability company~~ or
 2 its representative. The articles of intent to be subject to
 3 chapter 490 ~~or 489~~ shall be the articles of incorporation of
 4 the corporation ~~or a limited liability company~~. The provisions
 5 of **chapter 490** ~~or 489~~ becoming applicable to a corporation ~~or~~
 6 ~~limited liability company~~ formerly doing business as a state
 7 bank shall not affect any right accrued or established, or
 8 liability or penalty incurred under **this chapter** prior to the
 9 filing with the secretary of state of the articles of intent to
 10 be subject to **chapter 490** ~~or 489~~.

11 8. A shareholder of a state bank who objects to adoption
 12 by the state bank of a plan to cease to carry on the business
 13 of banking and to continue as a corporation subject to chapter
 14 490, ~~or a limited liability company subject to chapter 489,~~
 15 is entitled to appraisal rights provided for in chapter 490,
 16 subchapter XIII, ~~or in chapter 489, section 489.604.~~

17 9. A state bank, at any time prior to the approval of the
 18 articles of intent to become subject to **chapter 490** ~~or 489~~,
 19 may revoke the proceedings in the manner prescribed by section
 20 524.1306.

21 Sec. 3. Section 524.1401, subsection 1, Code 2021, is
 22 amended to read as follows:

23 1. Upon compliance with the requirements of **this chapter**,
 24 one or more state banks, one or more out-of-state banks, one or
 25 more national banks, one or more federal savings associations,
 26 one or more corporations, or any combination of these entities,
 27 with the approval of the superintendent, may merge into a
 28 state bank pursuant to a plan of merger. For purposes of
 29 this section, "corporation" does not include a credit union,
 30 industrial bank, or trust company.

31 Sec. 4. NEW SECTION. 524.1423 **Authority to sell assets and**
 32 **liabilities.**

33 1. A state bank may sell a portion of its assets,
 34 liabilities, or any combination thereof to a bank or any
 35 other entity. However, a state bank shall not sell assets or

1 liabilities to a credit union chartered under state or federal
2 law, or to any affiliate of a credit union chartered under
3 state or federal law, except as provided in subsection 2.

4 2. a. If a state bank proposes to sell or transfer
5 twenty-five percent or more of the total value of its loan
6 participations to a credit union chartered under state or
7 federal law, the state bank shall provide a written notice
8 and application for approval to the superintendent not less
9 than thirty days prior to completion of the proposed sale or
10 transfer.

11 b. If a state bank proposes to sell any of its real property
12 assets to a credit union chartered under state or federal
13 law, the state bank shall provide a written notice to the
14 superintendent not less than thirty days prior to completion of
15 the proposed sale or transfer.

16 3. The sale by a state bank of all or substantially all of
17 its assets and liabilities is a voluntary dissolution pursuant
18 to subchapter XIII or a merger pursuant to subchapter XIV.

19 Sec. 5. Section 533.406, Code 2021, is amended to read as
20 follows:

21 **533.406 State credit union merger, conversion, or**
22 **dissolution.**

23 1. Notwithstanding [section 533.301, subsection 25](#), a state
24 credit union shall comply with the state law requirements for
25 merger, conversion, or dissolution of a state credit union.

26 2. Except as provided in section 524.1423, a state credit
27 union shall not merge with, purchase the assets of, or assume
28 the liabilities of a bank, a federally chartered savings bank,
29 or a federally chartered savings association. For purposes of
30 this subsection, "bank" means the same as defined in section
31 524.103.

32 EXPLANATION

33 The inclusion of this explanation does not constitute agreement with
34 the explanation's substance by the members of the general assembly.

35 This bill relates to financial institutions, including the

1 assets, liabilities, and merger of state banks and state credit
2 unions.

3 Current law provides that a state bank that has commenced
4 business may propose to voluntarily dissolve upon the adoption
5 of a plan of dissolution that includes provisions for the
6 acquisition of its assets and assumption of its liabilities
7 and for the continuance of its business if acquisition is not
8 effected. The bill provides that no such plan shall provide
9 for the acquisition of a state bank's assets or the assumption
10 of its liabilities by a credit union chartered under state or
11 federal law.

12 The bill modifies Code section 524.1309 to strike references
13 to a state bank continuing as a limited liability company after
14 ceasing to carry on the business of banking.

15 Current law provides that a state bank that has commenced
16 business may propose to cease carrying on the business of
17 banking and become a corporation subject to Code chapter 490
18 upon the adoption of a plan that includes provisions for the
19 acquisition of its assets and assumption of its liabilities
20 and for the continuance of its business if acquisition is not
21 effected. The bill provides that no such plan shall provide
22 for the acquisition of a state bank's assets or the assumption
23 of its liabilities by a credit union chartered under state or
24 federal law.

25 The bill authorizes one or more state banks, out-of-state
26 banks, national banks, federal savings associations, and
27 corporations, pursuant to a plan of merger and with the
28 approval of the superintendent, to merge into a state bank.

29 The bill creates new Code section 524.1423, which authorizes
30 a state bank to sell a portion of its assets, liabilities, or
31 any combination thereof to a bank or any other entity. The
32 bill establishes exceptions and notice requirements for a
33 state bank's sales or transfers of loan participations or real
34 property to a credit union chartered under state or federal
35 law.

1 The bill provides that the sale by a state bank of all or
2 substantially all of its assets and liabilities is a voluntary
3 dissolution or a merger.

4 The bill prohibits a state credit union from merging with,
5 purchasing the assets of, or assuming the liabilities of a
6 bank, a federally chartered savings bank, or a federally
7 chartered savings association, except as provided in new Code
8 section 524.1423.